

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Village of Springport	County Jackson
Fiscal Year End February 28, 2007	Opinion Date August 20, 2007	Date Audit Report Submitted to State August 31, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Willis & Jurasek, P.C.		Telephone Number 517-788-8660	
Street Address 2545 Spring Arbor Road, Suite 200		City Jackson	State MI
City Jackson		State MI	Zip 49203
Authorizing CPA Signature <i>F. Roger Mack</i>	Printed Name F. Roger Mack		License Number 1101020342

Village of Springport

Financial Statements
And Independent Auditors' Report

Year Ended February 28, 2007

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Independent Auditors' Report

Members of the Village Council
Village of Springport
Springport, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Springport as of and for the year ended February 28, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Springport as of February 28, 2007, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management and discussion analysis and budgetary comparison information, as listed in the table of contents, are not a required part of the financial statements but are supplemental information required by the accounting principals generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Springport's basic financial statements. The accompanying combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.

August 20, 2007

WILLIS & JURASEK, P.C.

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Village of Springport
Management's Discussion and Analysis
Year Ended February 28, 2007

As management of the **Village of Springport**, we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the year ended February 28, 2007.

The Village as a Whole

The Village's net assets are stable after the past two years of improvement. The Village continues to provide primary services to our residents.

Governmental and Business type activities during the past year include some renovation to our water supply system. Our water and waste water capacities have provided for growth, however due to the economy community growth is slow.

Our Street Scape has for the most part, been completed, and major roads in and out of the Village have been improve. The cost of the project was approximately \$422,000, paid by primarily State and Federal funds. The improvement of this area has been cause for local business, residential and building owners to begin improvement of their properties, which will in turn add to the appeal in promoting growth.

We continue to make improvements to our sidewalk system in the form of application to the Fitness Council of Jackson County for addition of sidewalks on Green Street as far as the apartment complex. Within this application is also repair of other sidewalks in the Village that have become unsafe. This will insure safety to our mobile home park residents, school children, and others who walk in the area of Green Street.

Addition this year of a DDA will, in future years, provide services to our Village that would not be possible without the additional funds. The Springport Area Growth Association continues to be an integral part of providing extras to our community through their fund-raising activities.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village's basic financial statements. The Village's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Village's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Village include legislative, general government, public works and community and economic development. the business-type activities are water and sewer.

The government-wide financial statements can be found on pages 1-2 of this report.

Village of Springport
Management's Discussion and Analysis
Year Ended February 28, 2007

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Village maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, major street and local street, each of which are considered to be major funds. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Village adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 3-6 of this report.

Proprietary funds. The Village maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Village uses enterprise funds to account for its sanitary sewer and water distribution. *Internal service funds* account for operations that provide services for equipment rental and accumulate and allocate costs internally among the Village's various functions. Because this service predominantly benefits governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for two major enterprise funds; water, and sewer.

The basic proprietary fund financial statements can be found on pages 7-9 of this report.

Village of Springport
Management's Discussion and Analysis
Year Ended February 28, 2007

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Village's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 10 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 11-21 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain other information. This includes combining fund financial statements and schedules, which can be found on pages 25-26 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Village of Springport, assets exceeded liabilities by \$3,824,341 at the close of the most recent fiscal year.

By far the largest portion of the Village's net assets, about eight-eight percent (88%), reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure); less any related debt used to acquire those assets that is still outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

In a condensed format, the table below shows net assets as of the current date:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current Assets	\$ 312,804	\$ 274,765	\$ 154,525	\$ 147,106
Non-Current Assets	<u>209,786</u>	<u>205,483</u>	<u>4,814,703</u>	<u>4,777,576</u>
Total Assets	<u>522,590</u>	<u>480,248</u>	<u>4,968,598</u>	<u>4,924,682</u>
Current Liabilities	17,286	11,983	97,426	36,197
Non-current Liabilities	<u>4,964</u>	<u>16,674</u>	<u>1,547,171</u>	<u>1,680,136</u>
Total Liabilities	<u>22,250</u>	<u>28,657</u>	<u>1,644,597</u>	<u>1,716,333</u>
Net assets:				
Invested in capital assets - net of related debt	201,982	188,809	3,181,568	3,080,775
Restricted	23,598	24,550	70,030	40,435
Unrestricted	<u>274,400</u>	<u>238,222</u>	<u>72,403</u>	<u>87,139</u>
Total net assets	<u>\$ 500,340</u>	<u>\$ 451,591</u>	<u>\$3,324,001</u>	<u>\$3,208,349</u>

Village of Springport
Management's Discussion and Analysis
Year Ended February 28, 2007

The following table shows the changes of the net assets as of the current date.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Program Revenues				
Charges for services	\$ 4,711	\$ 6,287	\$ 328,764	\$ 323,356
Capital grants and contributions	-	-	175,401	342,221
Operating grants	46,093	46,607	-	-
General revenues				
Property taxes	102,754	96,144	-	-
State-shared revenue	89,770	91,991	-	-
Interest income	7,317	2,227	1,511	758
Other	<u>21,972</u>	<u>15,837</u>	<u>14,605</u>	<u>10,166</u>
Total revenues	<u>272,617</u>	<u>259,093</u>	<u>520,281</u>	<u>676,501</u>
Program expenses:				
Legislative	9,082	8,451	-	-
General government	90,181	85,229	-	-
Public works	124,605	143,945	-	-
Community development	-	435	-	-
Water and sewer	<u>-</u>	<u>-</u>	<u>404,629</u>	<u>284,575</u>
Total expenses	<u>223,868</u>	<u>238,060</u>	<u>404,629</u>	<u>284,575</u>
Change in net assets	\$ <u>48,749</u>	\$ <u>21,033</u>	\$ <u>115,652</u>	\$ <u>391,926</u>

The Village's net assets continue to remain healthy.

Governmental Activities

The Village total revenues have decreased slightly due to decrease in state shared revenues and property taxes. Property valuations have decreased, this we realize less tax revenue. In the meantime, we are getting a fair rate of return on our investments and every effort is being made to carefully budget our available funds and maintain a stable cash flow.

Business Type Activities

The Village's business-type activities consist of the Water and Waste Water Enterprise Funds. The Village provides water and sewer to approximately 99% of the Village residents. Our water fund is stable due to the fact that our system is reasonably new. Our waste water fund has not realized a rate increase in several years, and the system is aging fast. We will, at some point have to look at the method of discharge and will need to upgrade our whole system. Due to the economy our interest in increasing or population seems to be at a standstill.

Village of Springport
Management's Discussion and Analysis
Year Ended February 28, 2007

General Fund Budgetary Highlights

Over the course of the year, approximately quarterly, Village Council amends the budget to take into account events happening during the year.

Capital Asset and Debt Administration

At the end of the 2006/2007 fiscal year, the Village has a total investment of capital assets for its governmental and business-type activities as of February 28, 2006 of \$4,814,073, which is made up of a broad range of capital assets, including buildings, water and sewer structures, both above and below ground, and significant investments in streets.

Major capital asset events during the current fiscal year included the following:

- Continued work on water system improvements of \$125,344.
- Additions to the internal service fund equipment of \$6,700 for a mower.
- Infrastructure improvements of \$29,917

The following table summarizes the fixed assets of the Village as of the current year end:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Machinery and equipment	\$ 337,722	\$ 331,022	\$ 19,138	\$ 19,138
Distribution and collection systems	-	-	5,675,491	2,356,228
Infrastructure	177,696	147,779	-	-
Construction in progress	-	-	-	3,193,919
Accumulated depreciation	<u>(305,632)</u>	<u>(273,318)</u>	<u>(880,556)</u>	<u>(791,709)</u>
Net capital assets	\$ <u>209,786</u>	\$ <u>205,483</u>	\$ <u>4,814,073</u>	\$ <u>4,777,576</u>

Most of the indebtedness is chargeable to the Business type activities.

The following table summarized the debt outstanding at the current year end:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenue bonds	\$ -	\$ -	\$1,615,998	\$1,680,136
Installment purchase agreements	<u>7,804</u>	<u>16,674</u>	-	-
Net capital assets	\$ <u>7,804</u>	\$ <u>16,674</u>	\$ <u>1,615,998</u>	\$ <u>1,680,136</u>

The Village's total debt decreased by \$73,008.

Village of Springport
Management's Discussion and Analysis
Year Ended February 28, 2007

Economic Factors and Next Year's Budgets and Rates

For several years, the Village has not seen an increase in property taxes. During the past year, property evaluations have declined, causing an even larger slump in our tax revenue. However, as our tax ratio is already the highest in the County, we will try to refrain from any tax increase. In fact, during the current tax year, our tax millages have seen a slight decline from the past year. It is our hop that by budgeting carefully, we can avoid yet another increase.

The DDA in now in place, however, property evaluations are down, causing a deficit in captured funds for the year.

Contacting the Village Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Village office.

Village of Springport
Statement of Net Assets
February 28, 2007

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
Assets:			
Cash and investments	\$ 246,919	\$ 135,569	\$ 382,488
Receivables	26,582	34,338	60,920
Internal balances	39,303	(38,514)	789
Deferred charges	-	23,132	23,132
Capital assets, net			
Being depreciated	<u>209,786</u>	<u>4,814,073</u>	<u>5,023,859</u>
Total assets	<u>522,590</u>	<u>4,968,598</u>	<u>5,491,188</u>
Liabilities:			
Accounts payable	12,306	11,472	23,778
Accrued expenses	2,140	620	2,760
Accrued interest	-	16,507	16,507
Noncurrent liabilities:			
Due within one year	2,840	68,827	71,667
Due in more than one year	<u>4,964</u>	<u>1,547,171</u>	<u>1,552,135</u>
Total liabilities	<u>22,250</u>	<u>1,644,597</u>	<u>1,666,847</u>
Net Assets:			
Invested in capital assets,			
net of related debt	201,982	3,181,568	3,383,550
Restricted for debt service	-	70,030	70,030
Restricted for capital projects	23,958	-	23,958
Unrestricted	<u>274,400</u>	<u>72,403</u>	<u>346,803</u>
Total net assets	<u>\$ 500,340</u>	<u>\$ 3,324,001</u>	<u>\$ 3,824,341</u>

Village of Springport
Statement of Activities
Year Ended February 28, 2007

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities
						Total
Primary Government						
Governmental activities:						
Legislative	\$ 9,082	\$ 33	\$ -	\$ -	\$ (9,049)	\$ -
General government	90,181	-	-	-	(90,181)	-
Public works	124,605	4,678	46,093	-	(73,834)	-
Total governmental activities	223,868	4,711	46,093	-	(173,064)	-
Business-type activities:						
Water	229,695	201,261	-	125,300	-	96,866
Sewer	174,934	127,503	-	50,101	-	2,670
Total business-type activities	404,629	328,764	-	175,401	-	99,536
Total primary government	\$ 628,497	\$ 333,475	\$ 46,093	\$ 175,401	(173,064)	99,536
General revenues:						
Property taxes					102,754	-
State shared revenue					89,770	-
Interest and investment earnings					7,317	1,511
Other revenues					21,972	14,605
Total general revenues					221,813	16,116
Changes in Net Assets					48,749	115,652
Net Assets - Beginning of Year					451,591	3,208,349
Net Assets - End of Year					\$ 500,340	\$ 3,324,001

See Notes to Financial Statements.

Village of Springport

Balance Sheet
Governmental Funds
February 28, 2007

	Other Nonmajor Governmental				
	General	Major Street	Local Street	Funds	Total
<u>Assets</u>					
Cash and investments	\$ 114,475	\$ 20,840	\$ 7,733	\$ 70,256	\$ 213,304
Receivables:					
Taxes receivable	6,889	-	-	-	6,889
Due from other governmental units	11,370	6,429	1,894	-	19,693
Due from other funds	44,983	684	-	-	45,667
Total assets	<u>\$ 177,717</u>	<u>\$ 27,953</u>	<u>\$ 9,627</u>	<u>\$ 70,256</u>	<u>\$ 285,553</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	\$ 2,287	\$ 1,511	\$ 7,157	\$ 22	\$ 10,977
Due to other funds	2,156	951	1,210	211	4,528
Salaries payable	1,587	212	94	66	1,959
Total liabilities	<u>6,030</u>	<u>2,674</u>	<u>8,461</u>	<u>299</u>	<u>17,464</u>
Fund Balances:					
Reserved:					
Perpetual care and endowment	-	-	-	45,999	45,999
Unreserved;undesignated	171,687	25,279	1,166	-	198,132
Unreserved;undesignated-					
reported in nonmajor:					
Capital project funds	-	-	-	23,958	23,958
Total fund balances	<u>171,687</u>	<u>25,279</u>	<u>1,166</u>	<u>69,957</u>	<u>268,089</u>
Total liabilities and fund balances	<u>\$ 177,717</u>	<u>\$ 27,953</u>	<u>\$ 9,627</u>	<u>\$ 70,256</u>	<u>\$ 285,553</u>

Village of Springport
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets
of Governmental Activities on the Statement of Net Assets
February 28, 2007

Total Fund Balances - Governmental Funds	\$	268,089
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Amounts reported for governmental activities in the Statement
of Net Assets are different because:

Capital assets used in governmental activities are not financial
resources and are not reported in the funds.

The cost of the capital assets is	\$	515,418
Accumulated depreciation is		(305,632)
		209,786

Internal service funds are used by management to charge the costs of certain
equipment usage and administrative costs to individual governmental funds.
The assets and liabilities of the internal service funds are included in governmental
activities in the Statement of Net Assets.

Net assets of governmental activities accounted for in the internal service fund		30,269
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Long-term liabilities not due and payable in the current period
and not reported in the funds:

Notes and leases payable		(7,804)
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Total Net Assets - Governmental Activities	\$	500,340
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Village of Springport
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended February 28, 2007

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues:					
Taxes	\$ 95,621	\$ -	\$ -	\$ 7,133	\$ 102,754
Fees and fines	33	-	-	-	33
Charges for services	-	-	-	4,678	4,678
Intergovernmental	89,770	35,605	10,488	-	135,863
Interest	3,223	746	142	1,892	6,003
Other	<u>11,905</u>	<u>-</u>	<u>-</u>	<u>12,643</u>	<u>24,548</u>
Total revenues	<u>200,552</u>	<u>36,351</u>	<u>10,630</u>	<u>26,346</u>	<u>273,879</u>
Expenditures:					
Legislative	9,082	-	-	-	9,082
General government	76,317	-	-	13,864	90,181
Public works	<u>80,595</u>	<u>23,703</u>	<u>29,745</u>	<u>12,717</u>	<u>146,760</u>
Total expenditures	<u>165,994</u>	<u>23,703</u>	<u>29,745</u>	<u>26,581</u>	<u>246,023</u>
Revenues Over (Under) Expenditures	<u>34,558</u>	<u>12,648</u>	<u>(19,115)</u>	<u>(235)</u>	<u>27,856</u>
Other Financing Sources (Uses):					
Operating transfers in	-	-	13,000	4,574	17,574
Operating transfers out	<u>(10,000)</u>	<u>(6,000)</u>	<u>-</u>	<u>(1,574)</u>	<u>(17,574)</u>
Total other financing sources (uses)	<u>(10,000)</u>	<u>(6,000)</u>	<u>13,000</u>	<u>3,000</u>	<u>-</u>
Changes in Fund Balances	24,558	6,648	(6,115)	2,765	27,856
Fund Balances - Beginning of Year	<u>147,129</u>	<u>18,631</u>	<u>7,281</u>	<u>67,192</u>	<u>240,233</u>
Fund Balances - End of Year	<u>\$ 171,687</u>	<u>\$ 25,279</u>	<u>\$ 1,166</u>	<u>\$ 69,957</u>	<u>\$ 268,089</u>

See Notes to Financial Statements.

Village of Springport
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended February 28, 2007

Net Change in Fund Balances - Total Governmental Funds \$ 27,856

Amounts reported for governmental activities in the Statement
of Activities are different because:

Governmental funds report capital outlays as expenditures; in the
Statement of Activities, these costs are allocated over their estimated
useful lives as depreciation.

Depreciation expense	\$ (7,762)	
Capital outlay	<u>29,917</u>	22,155

An internal service fund is used by management to charge the costs of
certain equipment usage to individual governmental funds. The net revenue
(expense) of the fund attributable to those funds is reported with
governmental activities.

Change in net assets from governmental activities in the internal service fund	<u>(1,262)</u>
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Change in Net Assets of Governmental Activities \$ 48,749

Village of Springport,
Statement of Net Assets
Proprietary Funds
February 28, 2007

	Business-Type Activities			Governmental
	Enterprise Funds			Activities
	Water	Sewer	Total	Internal Service Fund
Assets:				
Current assets:				
Cash and investments	\$ 76,413	\$ 59,156	\$ 135,569	\$ 33,615
Accounts receivable	16,187	18,151	34,338	-
Due from other funds	2,994	-	2,994	-
Total current assets	<u>95,594</u>	<u>77,307</u>	<u>172,901</u>	<u>33,615</u>
Property, plant and equipment:				
Distribution and collection systems	3,685,687	2,008,942	5,694,629	-
Buildings and equipment	-	-	-	337,722
Less accumulated depreciation	<u>(297,514)</u>	<u>(583,042)</u>	<u>(880,556)</u>	<u>(286,787)</u>
Total property, plant and equipment	<u>3,388,173</u>	<u>1,425,900</u>	<u>4,814,073</u>	<u>50,935</u>
Deferred charges:				
Unamortized bond discount	<u>12,676</u>	<u>10,456</u>	<u>23,132</u>	<u>-</u>
Total assets	<u>3,496,443</u>	<u>1,513,663</u>	<u>5,010,106</u>	<u>84,550</u>
Liabilities:				
Current liabilities (payable from current assets):				
Accounts payable	2,226	9,246	11,472	1,329
Accrued expenses	417	203	620	181
Current portion of long-term debt	11,000	57,827	68,827	2,840
Accrued interest	7,665	8,842	16,507	-
Due to other funds	<u>1,553</u>	<u>39,955</u>	<u>41,508</u>	<u>1,836</u>
Total current liabilities (payable from current assets)	<u>22,861</u>	<u>116,073</u>	<u>138,934</u>	<u>6,186</u>
Noncurrent liabilities:				
Bonds and notes payable	<u>1,011,000</u>	<u>536,171</u>	<u>1,547,171</u>	<u>4,964</u>
Total noncurrent liabilities	<u>1,011,000</u>	<u>536,171</u>	<u>1,547,171</u>	<u>4,964</u>
Total liabilities	<u>1,033,861</u>	<u>652,244</u>	<u>1,686,105</u>	<u>11,150</u>
Net Assets:				
Invested in capital assets, net of related debt	2,358,508	823,060	3,181,568	43,131
Restricted	25,508	44,522	70,030	-
Unrestricted	<u>78,566</u>	<u>(6,163)</u>	<u>72,403</u>	<u>30,269</u>
Total net assets	<u>\$ 2,462,582</u>	<u>\$ 861,419</u>	<u>\$ 3,324,001</u>	<u>\$ 73,400</u>

See Notes to Financial Statements.

Village of Springport
Statement of Revenues, Expenses
and Changes in Net Assets
Proprietary Funds
Year Ended February 28, 2007

	Business-Type Activities			Governmental
	Enterprise Funds			Activities
	Water	Sewer	Total	Internal Service Fund
Operating Revenues:				
Charges for services	\$ 200,211	\$ 126,179	\$ 326,390	\$ 84,485
Interest and penalties	<u>1,050</u>	<u>1,324</u>	<u>2,374</u>	<u>-</u>
Total operating revenues	<u>201,261</u>	<u>127,503</u>	<u>328,764</u>	<u>84,485</u>
Operating Expenses:				
Personnel services	49,661	24,374	74,035	16,143
Payroll taxes	5,144	2,552	7,696	1,674
Employee benefits	13,093	5,761	18,854	5,165
Professional services	2,400	8,784	11,184	1,621
Utilities	13,596	16,793	30,389	-
Repairs and maintenance	4,117	17,463	21,580	15,729
Insurance and bonds	3,117	1,492	4,609	3,644
Operating supplies	10,926	7,017	17,943	4,012
Licenses and fees	3,240	-	3,240	-
Fuel and oil	-	-	-	11,789
Conferences	882	-	882	-
Memberships and dues	697	-	697	-
Mileage and travel	622	298	920	120
Office supplies	1,094	1,055	2,149	-
Equipment rent	22,549	18,274	40,823	-
Lab analysis	1,220	7,303	8,523	-
Miscellaneous	2,500	2,818	5,318	3,555
Depreciation and amortization	<u>48,511</u>	<u>40,498</u>	<u>89,009</u>	<u>24,552</u>
Total operating expenses	<u>183,369</u>	<u>154,482</u>	<u>337,851</u>	<u>88,004</u>
Operating Income (Loss)	<u>17,892</u>	<u>(26,979)</u>	<u>(9,087)</u>	<u>(3,519)</u>
Nonoperating Revenues (Expenses):				
Interest income	851	660	1,511	1,314
Tax assessment collections	2,099	50,101	52,200	-
Other income	1,660	10,846	12,506	1,778
Interest expense	(46,326)	(20,452)	(66,778)	(835)
Capital grants	<u>125,300</u>	<u>-</u>	<u>125,300</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>83,584</u>	<u>41,155</u>	<u>124,739</u>	<u>2,257</u>
Changes in Net Assets	101,476	14,176	115,652	(1,262)
Net Assets - Beginning of Year	<u>2,361,106</u>	<u>847,243</u>	<u>3,208,349</u>	<u>74,662</u>
Net Assets - End of Year	<u>\$ 2,462,582</u>	<u>\$ 861,419</u>	<u>\$ 3,324,001</u>	<u>\$ 73,400</u>

See Notes to Financial Statements.

Village of Springport
Statement of Cash Flows
Proprietary Funds
Year Ended February 28, 2007

	Business-type Activities Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Internal Service Fund
Cash Flows From Operating Activities:				
Cash received from customers, residents and users	\$ 220,700	\$ 131,019	\$ 351,719	\$ 84,485
Payments to suppliers	(101,805)	(80,600)	(182,405)	(54,395)
Payments to employees	(49,661)	(24,374)	(74,035)	(16,143)
Cash paid to other funds	1,309	(1,349)	(40)	424
Net cash provided by (used in) operating activities	<u>70,543</u>	<u>24,696</u>	<u>95,239</u>	<u>14,371</u>
Cash Flows From Capital and Related Financing Activities:				
Capital contributions	125,300	-	125,300	-
Purchase of capital assets, net	(125,344)	-	(125,344)	(6,700)
Principal and interest on capital debt	<u>(57,326)</u>	<u>(73,590)</u>	<u>(130,916)</u>	<u>(9,705)</u>
Net cash used by capital and related financing activities	<u>(57,370)</u>	<u>(73,590)</u>	<u>(130,960)</u>	<u>(16,405)</u>
Cash Flows From Investing Activities:				
Other nonoperating income received	3,759	60,947	64,706	1,778
Interest income received	<u>851</u>	<u>660</u>	<u>1,511</u>	<u>1,314</u>
Net cash provided by investing activities	<u>4,610</u>	<u>61,607</u>	<u>66,217</u>	<u>3,092</u>
Net Increase (Decrease) in Cash and Cash Equivalents	17,783	12,713	30,496	1,058
Cash and Cash Equivalents - Beginning of Year	<u>58,630</u>	<u>46,443</u>	<u>105,073</u>	<u>32,557</u>
Cash and Cash Equivalents - End of Year	<u>\$ 76,413</u>	<u>\$ 59,156</u>	<u>\$ 135,569</u>	<u>\$ 33,615</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating income (loss)	\$ 17,892	\$ (26,979)	(9,087)	\$ (3,519)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	48,511	40,498	89,009	24,552
Changes in:				
Accounts receivable	19,439	3,516	22,955	-
Accounts payable	(16,491)	9,246	(7,245)	(7,110)
Accrued expenses	(117)	(236)	(353)	24
Due to other funds	<u>1,309</u>	<u>(1,349)</u>	<u>(40)</u>	<u>424</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 70,543</u>	<u>\$ 24,696</u>	<u>\$ 95,239</u>	<u>\$ 14,371</u>

See Notes to Financial Statements.

Village of Springport
Statement of Fiduciary Net Assets
Fiduciary Funds
February 28, 2007

	<u>Agency Funds</u>
Assets:	
Cash and cash equivalents	\$ <u>3,024</u>
Liabilities:	
Advance due other funds	\$ 789
Due to other agencies	<u>2,235</u>
 Total liabilities	 \$ <u>3,024</u>

Village of Springport
Notes to Financial Statements

1. Summary of Significant Accounting Policies

Description of Village Operations

The Village of Springport, Michigan, was organized in 1882 and is located in the northwestern portion of Jackson County. The Village operates under a Council form of government and provides various services to its residents in many areas including community enrichment and development, human services and water and sewer. The criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financial relationships. Education services are provided through the local school system, which is a separate governmental entity and, therefore, is not represented in the financial statements included herein.

Reporting Entity

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included. Based on the application of the criteria, the entity does not contain component units.

Component Units

Downtown Development Authority – The Downtown Development Authority (DDA) was formed during the fiscal year to enhance the Village's business district by preservation, creation and implementation of the development plans in the district to be financed by taxes from properties within its district. The DDA had no activity for the year.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Village of Springport
Notes to Financial Statements

1. Summary of Significant Accounting Policies (Continued)

Government-Wide and Fund Financial Statements (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Fund-Based Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims, and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

General Fund – This fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Major Street Fund – This fund is a special revenue fund. It accounts for revenues received primarily from the State of Michigan Department of Transportation and accounts for street activity relating to the major street functions of the Village.

Local Street Fund – This fund is a special revenue fund. It accounts for revenues received primarily from the State of Michigan Department of Transportation and accounts for street activity relating to the local street functions of the Village.

Village of Springport
Notes to Financial Statements

1. Summary of Significant Accounting Policies (Continued)

Government-Wide and Fund Financial Statements (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The government reports the following nonmajor funds:

Cemetery Operations Fund – This fund accounts for resources received from special assessment taxes levied for cemetery operations.

Cemetery Trust Fund – This fund accounts for resources received from the sale of cemetery lots for the purpose of providing capital improvements needed in the Village cemetery.

Capital Improvements Fund – This fund accounts for resources received from the general fund earmarked for public improvements.

The government reports the following major proprietary funds:

Water Fund – The Water Fund accounts for the activities of the government's water production, purification, and distribution systems.

Sewer Fund – The Sewer Fund accounts for the activities of the government's sewage collection and treatment systems.

Additionally, the government reports the following fund types:

Equipment Internal Service Fund – The internal service fund accounts for operations that provide services (equipment rental) to other departments of the Village on a cost-reimbursement basis.

The Village reports the following Fiduciary Funds (not included in government-wide financial statements):

Payroll Trust Fund – This fund accounts for taxes and other employee deductions which are to be distributed to various organizations and other government units.

Additional Financial Statement Presentation Information - Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the electric, water and sewer enterprise funds and of the government's internal service fund are charges to customers for sales and services. The enterprise funds also recognize as operating revenues the portion of fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

It is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

Village of Springport
Notes to Financial Statements

1. Summary of Significant Accounting Policies (Continued)

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, and certificates of deposit.

The Village reports its investments (when applicable) in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Village intends to hold the investment until maturity. Accordingly, investments in bankers' acceptances and commercial paper are recorded at amortized cost. The Village had no investments at February 28, 2007.

State statutes authorize the Village to invest in bonds, and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Village is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above. The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers' acceptances, and mutual funds composed of otherwise legal investments.

Receivables and Payables – All receivables are reported at their net value. They are reduced, where appropriate, by the estimated portion that is expected to be uncollectible.

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Prepaid Items – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets – Certain proceeds of the enterprise funds' revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Also, certain resources have been set aside to fund capital asset replacements.

Village of Springport
Notes to Financial Statements

1. Summary of Significant Accounting Policies (Continued)

Capital Assets – Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Machinery and equipment	3 - 12
Infrastructure	10 - 30
Water and sewer distribution and collection	30 - 50

Compensated Absences – It is the government's policy to permit employees to accumulate earned but unused sick pay benefits. Sick days are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if the obligation is expected to be liquidated from expendable available financial resources. The Village has determined that the amount of accumulated sick days is immaterial and is not recorded in the government-wide financial statements.

Long-Term Obligations – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Village of Springport
Notes to Financial Statements

1. Summary of Significant Accounting Policies (Continued)

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Property Taxes - The government's property taxes are levied each July 1 on the taxable valuation of property located in the Village as of the preceding December 31, the lien date. Property taxes are payable without penalty and interest through August 31; as of March 1 of the succeeding year, unpaid real property taxes are sold to and collected by Ingham County.

Assessed values as established annually by the government, and subject to acceptance by the County, are equalized by the State at an estimated 50% of current market value. Real and personal property in the Village for 2006 had a taxable value of approximately \$8,150,000 (not including properties subject to Industrial Facilities Tax exemption), representing 50% of estimated current market value. The government's tax rate for fiscal year 2006-07 was 10.9980 mills for general operating, 0.8243 for cemetery operations and 5.5537 for sewer – debt service.

2. Stewardship, Compliance and Accountability

The general and special revenue funds are the governmental fund types under formal budgetary control. The Village adopts its budget in accordance with Public Act 621, the Uniform Budgeting and Accounting Act, which mandates an annual budget process and annual appropriation act to implement the budget.

- 1) A general and special revenue funds budget is presented to Village Council in January, at which time hearings on the budget are scheduled. A Public Hearing is held in February and a special meeting is held to give all elected officials the opportunity to discuss their budget with the Council.
- 2) The budget, and an appropriation ordinance implementing it, is then adopted in February.
- 3) Formal budget integration is employed as a management control device during the year for all funds.
- 4) Budgets presented for the general and special revenue funds were prepared on the modified cash basis of accounting. Encumbrances are not recorded at year end.
- 5) Expenditures may not legally exceed activity (department) totals in the general fund. All other special revenue funds cannot legally exceed their respective fund totals. During the current year end certain actual expenditures exceeded budgeted amounts and are disclosed in the required supplementary information section.
- 6) Budgets for the current year are reviewed during the year for any revision of estimates. Proposed increases or reductions in appropriations are presented to the Council for their action. The legislative body amends the general appropriation act as soon as it becomes apparent this action is necessary.
- 7) The Council has the authority to amend all budgets at the fund level through the appropriation ordinance. It further has the right to amend the general fund at the activity level if it desires. Management has no authority to amend budgets at the fund level. Management can do transfers within funds at the departmental level without governing board approval but not between departments.

Village of Springport
Notes to Financial Statements

2. Stewardship, Compliance and Accountability (Continued)

8) The budgetary information presented has been amended during the year by an official action of the Village Council. The amendments were not significant in total.

9) All budget appropriations lapse at the end of each fund's fiscal year.

3. Cash and Cash Equivalents

To facilitate better management of the Village's resources, cash is combined in a pooled operating account for much of the Village's activity.

At year-end, the Village's deposits were reported in the basic financial statements in the following categories:

	Governmental Activities	Business- Type Funds	Total Primary Government	Fiduciary Funds	Total
Cash and investments	\$ <u>246,919</u>	\$ <u>135,569</u>	\$ <u>382,488</u>	\$ <u>3,024</u>	\$ <u>385,512</u>

The breakdown between deposits and investments for the Village is as follows:

Deposits (checking and savings accounts, certificates of deposit)	\$ <u>385,512</u>
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Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned. The Village has not adopted and State law does not require a policy for deposit custodial credit risk. As of year-end, \$195,782 of the Village's bank balance of \$382,061 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Village had no investments at year-end.

4. Receivables

Receivables of the governmental activities of the primary government at year end consisted of the following:

Other governmental units (primarily the State of Michigan)	\$ 19,693
Taxes	<u>6,889</u>
	\$ <u>26,582</u>

Village of Springport
Notes to Financial Statements

5. Capital Assets

Capital assets activity for the year ended February 28, 2007 was as follows:

Primary Government	Beginning Balance	Additions	Disposals	Ending Balance
Governmental Activities:				
Capital assets being depreciated:				
Machinery and equipment	\$ 331,022	\$ 6,700	\$ -	\$ 337,722
Infrastructure	<u>147,779</u>	<u>29,917</u>	<u>-</u>	<u>177,696</u>
Total capital assets being depreciated	<u>478,801</u>	<u>36,617</u>	<u>-</u>	<u>515,418</u>
Accumulated depreciation:				
Machinery and equipment	262,235	24,552	-	286,787
Infrastructure	<u>11,083</u>	<u>7,762</u>	<u>-</u>	<u>18,845</u>
Total accumulated depreciation	<u>273,318</u>	<u>32,314</u>	<u>-</u>	<u>305,632</u>
Governmental activities capital assets - net	<u>\$ 205,483</u>	<u>\$ 4,303</u>	<u>\$ -</u>	<u>\$ 209,786</u>
Business-Type Activities				
Capital assets not being depreciated:				
Construction in progress	<u>\$3,193,919</u>	<u>\$ 65,321</u>	<u>\$3,259,240</u>	<u>\$ -</u>
Capital assets being depreciated:				
Machinery and equipment	19,138	-	-	19,138
Distribution and collection	<u>2,356,228</u>	<u>3,319,263</u>	<u>-</u>	<u>5,675,491</u>
Total capital assets being depreciated	<u>2,375,366</u>	<u>3,319,263</u>	<u>-</u>	<u>5,694,629</u>
Accumulated depreciation	<u>791,709</u>	<u>88,847</u>	<u>-</u>	<u>880,556</u>
Total capital assets being depreciated - net	<u>1,583,657</u>	<u>3,230,416</u>	<u>-</u>	<u>4,814,073</u>
Business-type activities capital assets - net	<u>\$4,777,576</u>	<u>\$3,295,737</u>	<u>\$3,259,240</u>	<u>\$4,814,073</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
Public works	\$ 7,762
Capital assets held by the Village's internal service fund are charged to the various functions based on usage of the assets	<u>24,552</u>
Total depreciation expense – governmental activities	<u>\$ 32,314</u>

Village of Springport
Notes to Financial Statements

5. Capital Assets (Continued)

Business-Type Activities:	
Sewer	\$ 40,498
Water	<u>48,349</u>
Total depreciation expense – business-type activities	<u>\$ 88,847</u>

6 Interfund Receivables, Payables and Transfers

The Village reports interfund balances between many of its funds. The sum of all interfund receivables/payables presented in the tables below agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds and proprietary funds. These interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

	<u>Receivable</u>	<u>Payable</u>
Due from/to other funds:		
General Fund	\$ 44,983	\$ 2,156
Major Street Fund	684	951
Local Street Fund	-	1,210
Nonmajor Governmental Funds	-	211
Internal Service Fund	-	1,836
Water Fund	2,994	1,553
Sewer Fund	-	39,955
Payroll	-	789
	<u>\$ 48,661</u>	<u>\$ 48,661</u>
	<u>Transfers In</u>	<u>Transfers Out</u>
Transfers:		
Nonmajor Governmental Funds	\$ 4,574	\$ 1,574
Local Street	13,000	-
Major Street	-	6,000
General	-	10,000
	<u>\$ 17,574</u>	<u>\$ 17,574</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Village of Springport
Notes to Financial Statements

7. Long-Term Debt

The Village issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Village.

Governmental activities - long-term obligation activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<u>Governmental Activities:</u>					
<u>Internal Service Fund</u>					
Installment purchase agreements	\$ <u>16,674</u>	\$ <u>-</u>	\$ <u>8,870</u>	\$ <u>7,804</u>	\$ <u>2,840</u>

The following is a summary of the general obligation debt outstanding of the Village as of February 28, 2007:

<u>Governmental Activities</u>	<u>Interest Rate</u>	<u>Maturing Through</u>	<u>Principal Outstanding</u>
Installment Purchase Agreement	8.00%	2010	\$ <u>7,804</u>

Annual debt service requirements to maturity on the above governmental bond obligations are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 2,840	\$ 522	\$ 3,362
2009	3,067	287	3,354
2010	<u>1,897</u>	<u>51</u>	<u>1,948</u>
	\$ <u>7,804</u>	\$ <u>860</u>	\$ <u>8,664</u>

Business-type activities - long-term obligation activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<u>Business-Type Activities:</u>					
Bonds	\$ <u>1,680,136</u>	\$ <u>-</u>	\$ <u>64,138</u>	\$ <u>1,615,998</u>	\$ <u>68,827</u>
<u>Business-Type Activities</u>					
1990 Series Bonds	5.90 – 7.15	2009	\$ 75,000		
Waste Water Disposal System Bonds	2.50	2020	518,998		
2004A Water Revenue Bonds	4.50	2044	900,000		
2004B Water Revenue Bonds	4.50	2044	<u>122,000</u>		
			\$ <u>1,615,998</u>		

Village of Springport
Notes to Financial Statements

7. Long-Term Debt (Continued)

Annual debt service requirements to maturity on the above business-type bond obligations are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 68,827	\$ 63,905	\$ 132,732
2009	68,827	60,815	129,642
2010	69,827	57,711	127,538
2011	45,827	54,565	100,392
2012	46,827	53,158	99,985
2013-2017	264,585	242,251	506,836
2018-2022	262,278	199,112	461,390
2023-2027	120,000	167,180	287,180
2028-2032	151,000	137,614	288,614
2033-2037	185,000	100,624	285,624
2038-2042	227,000	55,264	282,264
2043-2044	<u>106,000</u>	<u>7,200</u>	<u>113,200</u>
Total	<u>\$1,615,998</u>	<u>\$1,199,399</u>	<u>\$2,815,397</u>

10. Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended February 28, 2007, the Village carried commercial insurance to cover all risks of losses. The Village had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

11. Contingencies

The Village is subject to legal action as a normal course of business. However, management, with counsel's assistance, vigorously upholds their position on any such action. The ultimate resolution of these matters is not ascertainable at this time. No provision has been made in the financial statements related to these claims.

12. Segment Information – Enterprise Funds

The government issued revenue bonds to finance certain improvements to its water and sewer distribution and treatment systems. Because the Water and Sewer Funds, which are individual funds that account entirely for the government's water distribution and treatment and sewage disposal and treatment activities, are segments, and are reported as major funds in the fund financial statements, segment disclosures herein are not required.

Required Supplemental Information

Village of Springport
Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget to Actual
General Fund
Year Ended February 28, 2007

	<u>Budgeted Amounts</u>		
	<u>Original</u>	<u>Final</u>	<u>Actual</u>
Revenues:			
Taxes	\$ 106,180	\$ 95,621	\$ 95,621
Fees and fines	50	33	33
Intergovernmental	92,768	90,487	89,770
Interest	2,950	3,827	3,223
Other	<u>13,853</u>	<u>11,904</u>	<u>11,905</u>
Total revenues	<u>215,801</u>	<u>201,872</u>	<u>200,552</u>
Expenditures:			
Legislative:			
Council	<u>11,092</u>	<u>7,793</u>	<u>9,082</u>
General government:			
Village manager	7,336	6,281	6,720
Clerk	23,811	22,512	23,496
Treasurer	12,735	10,847	11,259
Building and grounds	<u>37,998</u>	<u>36,362</u>	<u>34,842</u>
Total general government	<u>81,880</u>	<u>76,002</u>	<u>76,317</u>
Public works:			
Public works	87,466	84,465	49,886
Street lighting	12,550	10,897	10,994
Refuse collection/disposal	<u>19,013</u>	<u>19,715</u>	<u>19,715</u>
Total public works	<u>119,029</u>	<u>115,077</u>	<u>80,595</u>
Community and economic development			
Planning and zoning	<u>800</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>212,801</u>	<u>198,872</u>	<u>165,994</u>
Revenues Over (Under) Expenditures	<u>3,000</u>	<u>3,000</u>	<u>34,558</u>
Other Financing Sources (Uses):			
Transfers out	<u>(3,000)</u>	<u>(3,000)</u>	<u>(10,000)</u>
Net Changes in Fund Balances	-	-	24,558
Fund Balances - Beginning of Year	<u>147,129</u>	<u>147,129</u>	<u>147,129</u>
Fund Balances - End of Year	<u>\$ 147,129</u>	<u>\$ 147,129</u>	<u>\$ 171,687</u>

Village of Springport
Statement of Revenues, Expenditures
and Changes in Fund Balances - Budget to Actual
Major Street Fund
Year Ended February 28, 2007

	<u>Budgeted Amounts</u>		
	<u>Original</u>	<u>Final</u>	<u>Actual</u>
Revenues:			
Intergovernmental:			
State shared revenue - gas and weight tax	\$ 34,000	\$ 35,672	\$ 35,605
Other:			
Interest	600	746	746
Total revenues	<u>34,600</u>	<u>36,418</u>	<u>36,351</u>
Expenditures:			
Highways and streets:			
Personnel services	8,000	6,780	6,977
Payroll taxes	820	525	714
Employee benefits	1,718	1,474	1,474
Professional services	500	475	475
Insurance and bonds	820	717	717
Operating supplies	80	29	30
Office supplies	50	-	-
Repairs and maintenance	1,700	1,367	2,878
Routine maintenance	2,000	3,255	3,255
Capital preventive	200	86	86
Preservation	4,000	3,015	3,015
Equipment rent	3,200	4,066	4,065
Miscellaneous	<u>7,012</u>	<u>8,629</u>	<u>17</u>
Total expenditures	<u>30,100</u>	<u>30,418</u>	<u>23,703</u>
Revenues Over (Under) Expenditures	<u>4,500</u>	<u>6,000</u>	<u>12,648</u>
Other Financing Sources (Uses):			
Operating transfers out	<u>(6,000)</u>	<u>(6,000)</u>	<u>(6,000)</u>
Net Changes in Fund Balances	(1,500)	-	6,648
Fund Balances - Beginning of Year	<u>18,631</u>	<u>18,631</u>	<u>18,631</u>
Fund Balances - End of Year	<u>\$ 17,131</u>	<u>\$ 18,631</u>	<u>\$ 25,279</u>

Village of Springport
Statement of Revenues, Expenditures
and Changes in Fund Balances - Budget to Actual
Local Street Fund
Year Ended February 28, 2007

	<u>Budgeted Amounts</u>		
	<u>Original</u>	<u>Final</u>	<u>Actual</u>
Revenues:			
Intergovernmental:			
State shared revenue - gas and weight tax	\$ 11,000	\$ 10,508	\$ 10,488
Other:			
Interest	300	142	142
Other income	6,655	5,729	-
Total other income	6,955	5,871	142
Total revenues	17,955	16,379	10,630
Expenditures:			
Highways and streets:			
Personnel services	5,040	4,508	4,595
Payroll taxes	686	350	472
Employee benefits	1,068	999	999
Professional services	11,226	10,891	10,890
Insurance and bonds	720	717	717
Operating supplies	100	3	3
Sidewalks	-	-	6,500
Repairs and maintenance	1,380	908	1,565
Routine maintenance	60	52	52
Capital preventive	400	371	371
Preservation	500	437	437
Equipment rent	2,675	3,143	3,143
Miscellaneous	100	-	1
Total expenditures	23,955	22,379	29,745
Revenues Over (Under) Expenditures	(6,000)	(6,000)	(19,115)
Other Financing Sources (Uses):			
Operating transfers in	6,000	6,000	13,000
Net Changes in Fund Balances	-	-	(6,115)
Fund Balances - Beginning of Year	7,281	7,281	7,281
Fund Balances - End of Year	\$ 7,281	\$ 7,281	\$ 1,166

Other Supplemental Information

Village of Springport
Combining Balance Sheet
Nonmajor Governmental Funds
February 28, 2007

	Special Revenue		Capital	Total
	Funds		Project Fund	
	Cemetery Operations	Cemetery Trust	Capital Improvements	
<u>Assets</u>				
Cash and cash equivalents	\$ 8,374	\$ 37,924	\$ 23,958	\$ 70,256
Total assets	<u>\$ 8,374</u>	<u>\$ 37,924</u>	<u>\$ 23,958</u>	<u>\$ 70,256</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 22	\$ -	\$ -	\$ 22
Salaries payable	66	-	-	66
Due to other funds	<u>211</u>	<u>-</u>	<u>-</u>	<u>211</u>
Total liabilities	<u>299</u>	<u>-</u>	<u>-</u>	<u>299</u>
Fund Balances:				
Reserved for perpetual care and endowment	8,075	37,924	-	45,999
Unreserved:				
Unreserved;undesignated	<u>-</u>	<u>-</u>	<u>23,958</u>	<u>23,958</u>
Total fund balances	<u>8,075</u>	<u>37,924</u>	<u>23,958</u>	<u>69,957</u>
Total liabilities and fund balances	<u>\$ 8,374</u>	<u>\$ 37,924</u>	<u>\$ 23,958</u>	<u>\$ 70,256</u>

Village of Springport
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended February 28, 2007

	<u>Special Revenue Funds</u>		<u>Capital Project Fund</u>	
	<u>Cemetery Operations</u>	<u>Cemetery Trust</u>	<u>Capital Improvements</u>	<u>Total</u>
Revenues:				
Taxes	\$ 7,133	\$ -	\$ -	\$ 7,133
Charges for services	4,678	-	-	4,678
Interest	166	601	1,125	1,892
Other	<u>30</u>	<u>1,613</u>	<u>11,000</u>	<u>12,643</u>
Total revenues	<u>12,007</u>	<u>2,214</u>	<u>12,125</u>	<u>26,346</u>
Expenditures:				
General government	13,864	-	-	13,864
Public works	<u>-</u>	<u>-</u>	<u>12,717</u>	<u>12,717</u>
Total expenditures	<u>13,864</u>	<u>-</u>	<u>12,717</u>	<u>26,581</u>
Revenues Over (Under) Expenditures	<u>(1,857)</u>	<u>2,214</u>	<u>(592)</u>	<u>(235)</u>
Other Financing Sources (Uses):				
Operating transfers in	4,574	-	-	4,574
Operating transfers out	<u>-</u>	<u>(1,574)</u>	<u>-</u>	<u>(1,574)</u>
Total other financing sources (uses)	<u>4,574</u>	<u>1,574</u>	<u>-</u>	<u>3,000</u>
Changes in Fund Balances	2,717	640	(592)	2,765
Fund Balances - Beginning of Year	<u>5,358</u>	<u>37,284</u>	<u>24,550</u>	<u>67,192</u>
Fund Balances - End of Year	<u>\$ 8,075</u>	<u>\$ 37,924</u>	<u>\$ 23,958</u>	<u>\$ 69,957</u>

Village of Springport
Schedule of Bonded Indebtedness
Sewer Fund
February 28, 2007

**Waste Water Disposal system
Revenue Bonds - Series 1990**

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Principal</u>	<u>Interest Payable</u>
1990	\$ 300,000				
		7.100%	11/1/2007	\$ 25,000	\$ 5,350
		7.150%	11/1/2008	25,000	3,575
		7.150%	11/1/2009	25,000	1,788
				<u>\$ 75,000</u>	<u>\$ 10,713</u>

**Michigan Municipal Bond Authority
Revenue Bonds - Series 1999**

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Principal</u>	<u>Interest Payable</u>
1999	\$ 689,687				
		2.500%	4/1/2007	\$ 32,827	\$ 12,565
		2.500%	4/1/2008	32,827	11,744
		2.500%	4/1/2009	32,827	10,923
		2.500%	4/1/2010	32,827	10,103
		2.500%	4/1/2011	32,827	9,282
		2.500%	4/1/2012	37,517	8,403
		2.500%	4/1/2013	37,517	7,465
		2.500%	4/1/2014	37,517	6,527
		2.500%	4/1/2015	37,517	5,589
		2.500%	4/1/2016	37,517	4,651
		2.500%	4/1/2017	42,206	3,653
		2.500%	4/1/2018	42,206	2,599
		2.500%	4/1/2019	42,205	1,544
		2.500%	4/1/2020	40,661	508
				<u>\$ 518,998</u>	<u>\$ 95,556</u>

Village of Springport
Schedule of Bonded Indebtedness
Water Fund
February 28, 2007

**Water Revenue Bonds
Series 2004B**

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Principal</u>	<u>Interest Payable</u>
2004	\$ 928,000				
		4.500%	1/1/2008	\$ 10,000	\$ 40,500
		4.500%	1/1/2009	10,000	40,050
		4.500%	1/1/2010	11,000	39,600
		4.500%	1/1/2011	11,000	39,106
		4.500%	1/1/2012	12,000	38,610
		4.500%	1/1/2013	12,000	38,070
		4.500%	1/1/2014	13,000	37,530
		4.500%	1/1/2015	13,000	36,946
		4.500%	1/1/2016	14,000	36,360
		4.500%	1/1/2017	15,000	35,730
		4.500%	1/1/2018	15,000	35,056
		4.500%	1/1/2019	16,000	34,380
		4.500%	1/1/2020	17,000	33,660
		4.500%	1/1/2021	18,000	32,896
		4.500%	1/1/2022	18,000	32,086
		4.500%	1/1/2023	19,000	31,276
		4.500%	1/1/2024	20,000	30,420
		4.500%	1/1/2025	21,000	29,520
		4.500%	1/1/2026	22,000	28,576
		4.500%	1/1/2027	23,000	27,586
		4.500%	1/1/2028	24,000	26,550
		4.500%	1/1/2029	25,000	25,470
		4.500%	1/1/2030	26,000	24,346
		4.500%	1/1/2031	28,000	23,176
		4.500%	1/1/2032	29,000	21,916
		4.500%	1/1/2033	30,000	20,610
		4.500%	1/1/2034	31,000	19,260
		4.500%	1/1/2035	32,000	17,866
		4.500%	1/1/2036	34,000	16,426
		4.500%	1/1/2037	35,000	14,896
		4.500%	1/1/2038	37,000	13,320
		4.500%	1/1/2039	39,000	11,656
		4.500%	1/1/2040	40,000	9,900
		4.500%	1/1/2041	42,000	8,100
		4.500%	1/1/2042	44,000	6,210
		4.500%	1/1/2043	46,000	4,230
		4.500%	1/1/2044	48,000	2,160
				<u>\$ 900,000</u>	<u>\$ 964,050</u>

Village of Springport
Schedule of Bonded Indebtedness
Water Fund
February 28, 2007

**Water Revenue Bonds
Series 2004A**

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Principal</u>	<u>Interest Payable</u>
2004	\$ 125,000				
		4.500%	1/1/2008	\$ 1,000	\$ 5,490
		4.500%	1/1/2009	1,000	5,446
		4.500%	1/1/2010	1,000	5,400
		4.500%	1/1/2011	2,000	5,356
		4.500%	1/1/2012	2,000	5,266
		4.500%	1/1/2013	2,000	5,176
		4.500%	1/1/2014	2,000	5,086
		4.500%	1/1/2015	2,000	4,996
		4.500%	1/1/2016	2,000	4,906
		4.500%	1/1/2017	2,000	4,816
		4.500%	1/1/2018	2,000	4,726
		4.500%	1/1/2019	2,000	4,636
		4.500%	1/1/2020	2,000	4,546
		4.500%	1/1/2021	2,000	4,456
		4.500%	1/1/2022	3,000	4,366
		4.500%	1/1/2023	3,000	4,230
		4.500%	1/1/2024	3,000	4,096
		4.500%	1/1/2025	3,000	3,960
		4.500%	1/1/2026	3,000	3,826
		4.500%	1/1/2027	3,000	3,690
		4.500%	1/1/2028	3,000	3,556
		4.500%	1/1/2029	4,000	3,420
		4.500%	1/1/2030	4,000	3,240
		4.500%	1/1/2031	4,000	3,060
		4.500%	1/1/2032	4,000	2,880
		4.500%	1/1/2033	4,000	2,700
		4.500%	1/1/2034	4,000	2,520
		4.500%	1/1/2035	5,000	2,340
		4.500%	1/1/2036	5,000	2,116
		4.500%	1/1/2037	5,000	1,890
		4.500%	1/1/2038	5,000	1,666
		4.500%	1/1/2039	5,000	1,440
		4.500%	1/1/2040	5,000	1,216
		4.500%	1/1/2041	5,000	990
		4.500%	1/1/2042	5,000	766
		4.500%	1/1/2043	6,000	540
		4.500%	1/1/2044	6,000	270
				<u>\$ 122,000</u>	<u>\$ 129,080</u>



To the Village Council
of the Village of Springport

In planning and performing our audit of the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of Springport as of and for the year ended February 28, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Village's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the a governmental unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

2007-1: The management of the Village has the ability to produce internal reporting that allows for financial management of the day to day operations. However, management relies on the external auditors to prepare its external audit reports. While this may be typical of some smaller municipalities, it is considered a material weakness under SAS 112, which became effective this year.

2007-2: Due to the limited personal in the accounting department, the Village lacks segregation of duties over several areas, including cash receipting, journal entry processes, and cash disbursements. The limited size of the staff does not allow for segregating duties. The Village should be aware of these areas and attempt to establish procedures to minimize this lack of controls.

2007-3: During the course of the audit we proposed several journal entries, which management agreed with and posted to the final general ledger. However, some of thee entries had a material affect on the final financial statements. This is considered a material weakness under SAS 112, which became effective this year.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Of the significant deficiencies described above, we consider Finding 2007-1 and 2007-3 to be material weaknesses.

This communication is intended solely for the information and use of management, the Village Council and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.

August 20, 2007